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- The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, as signed by the President on December 8, 2003, includes a provision establishing Health Savings Accounts or HSAs. HSAs are tax-advantaged savings accounts that can be used to pay for medical expenses incurred by individuals, their spouse or their dependents. These HSAs will be available to everyone, not just the elderly eligible for Medicare.
  - HSAs are similar to medical savings accounts (MSAs). However, MSA eligibility has been restricted to employees of small businesses and the self-employed. HSAs are open to everyone with a high deductible health insurance plan. The only limitation on the health plan is that the annual deductible must be at least \$1,000 for individual coverage and at least \$2,000 for family coverage.
  - Contributions to the HSA by an employer are not included in the individual's taxable income. Contributions by an individual are tax deductible. Total yearly contributions to an HSA can be as large as the individual's health insurance plan deductible, between \$1,000 and \$5,000 for self-coverage and \$2,000 and \$10,000 for family coverage.
  - The interest and investment earnings generated by the account are also not taxable while in the HSA. Amounts distributed are not taxable as long as they are used to pay for qualified medical expenses, such as prescription and over-the-counter drugs and long-term care services as well as the purchase of continued health care coverage for the unemployed individual (via COBRA). Amounts distributed that are not used to pay for qualified medical expenses will be taxable, plus an additional 10% tax will be applied in order to prevent the use of the HSA for non-medical purposes.
  - HSAs are portable, so an individual is not dependent on a particular employer to enjoy the advantages of having an HSA. Like an individual retirement account (IRA), the individual owns the HSA, not the employer. If the individual changes jobs, the HSA goes with the individual.
  - In addition, individuals over age 55 may make extra contributions to their accounts and still enjoy the same tax advantages. In 2004, an additional \$500 can be added to the HSA. By 2009, an additional \$1,000 can be added to the HSA.